

**MINUTES OF THE
REVENUE AND TAXATION INTERIM COMMITTEE**
Wednesday, April 18, 2001 – 2:00 p.m. – Room 129 State Capitol

Members Present:

Sen. Curtis S. Bramble, Senate Chair
Rep. Wayne A. Harper, House Chair
Sen. Ron Allen
Sen. Lyle W. Hillyard
Sen. Howard A. Stephenson
Rep. Ralph Becker
Rep. Afton Bradshaw
Rep. Judy Ann Buffmire
Rep. David Clark
Rep. Bryan D. Holladay
Rep. Carol Spackman Moss
Rep. LaWanna Shurtliff
Rep. Gordon E. Snow
Rep. John E. Swallow

Members Excused:

Rep. Kevin S. Garn

Staff Present:

Mr. Bryant R. Howe,
Research Analyst
Ms. Rebecca L. Rockwell,
Associate General Counsel
Ms. Sandra Wissa,
Legislative Secretary

Note: A list of others present and a copy of materials distributed in the meeting are on file in the Office of Legislative Research and General Counsel.

1. Committee Business

Chair Harper called the meeting to order at 2:27 p.m. and welcomed the members of the committee.

Members of the committee and staff introduced themselves.

MOTION: Rep. Buffmire moved to approve the minutes of the November 15, 2000 meeting. The motion passed unanimously, with Sen. Allen absent for the vote.

2. Revenue Update

Mr. Douglas Macdonald, Chief Economist, Utah State Tax Commission (Tax Commission), distributed a handout "Text of Federal Reserve Statement" and explained that the Dow Jones Industrial Average rose in value today in response to news that the Federal Open Markets Committee and the Board of Governors of the Federal Reserve both lowered key interest rates by 50 basis points. Mr. Macdonald reviewed the handout "Key Economic Indicators," and stated that Utah's economy is still strong with employment slowing and residential construction permit values, sales tax, and withholding tax all rising. Mr. Macdonald indicated that more homeowners are refinancing mortgages which may spur growth in the construction sector.

Mr. Macdonald said despite a relatively strong economy, key state revenues are below projections. Slower than expected individual income tax and corporate franchise tax revenues

may result in a \$22.89 million combined General Fund and Uniform School Fund deficit for this fiscal year. However, Mr. Macdonald remarked that final collections for the last two months of the fiscal year may yet bring actual collections up to legislative projections.

Mr. Macdonald also noted that a large distributor of motor fuel has recently notified the Tax Commission that the distributor has made a series of overpayments in the last 15 months and will be requesting a refund of up to \$8 million in the near future.

Mr. Macdonald reviewed individual income tax return processing information. He said that more taxpayers are filing electronically. Chair Bramble expressed concern that taxpayers cannot use credit cards to pay individual income taxes. While some taxpayers could pay with a credit card when filing a return, it may be difficult or impossible to collect from these taxpayers at a later date. Ms. Pam Hendrickson, Tax Commission Chair, and Mr. Bruce Johnson, Commissioner, Tax Commission, stated that credit card companies charge a collection fee. That fee would either have to be passed on to the taxpayer or result in lower collections if the state absorbs the fee. Ms. Hendrickson commented that because the decision of whether to allow credit card payments involves a potential revenue loss to the state this decision belongs to the legislature, not the Tax Commission. However, the Tax Commission offered to return to a future meeting with more information about this issue.

3. Addressing the Property Tax Burden

Mr. Bryant R. Howe, Research Analyst, provided the committee background information on Utah's property tax system. He reviewed the property tax system, including constitutional provisions, taxable value, tax levies, revenue trends, and incidence and uses of the property tax. Mr. Howe explained that unlike the income and sales and use taxes, policymakers have limited flexibility to change the basic structure of the property tax system because the property tax and property tax exemptions are prescribed by the Utah Constitution.

Mr. Howe said property taxes are levied by multiple taxing entities and used for multiple purposes. Local governments in Utah rely less on the property tax as a source of tax revenue than other states; however, property taxes remain an important source of revenue for all taxing entities. Mr. Howe stated that over the last ten years, the burden of the property tax has shifted among various types of taxpayers. Most of the property tax is paid by homeowners and most of the revenue goes to schools.

Ms. Rebecca L. Rockwell, Associate General Counsel, reviewed the current relief programs provided for by statute through the property tax for homeowners and renters. She reviewed a handout "Provisions of Utah Constitution Article XIII, Section 2 Pertaining to Property Tax Relief," highlighting provisions relating to low-income persons and veterans. Ms. Rockwell explained the differences in the exemptions for veterans, blind persons, and other low-income

persons. Ms. Rockwell noted handout “2000 Salt Lake County Property Tax Relief Application” as an example of how some counties have consolidated applications for various types of property tax relief into a single form. Ms. Rockwell also referred the committee to the handout “2001 Household Income Eligibility and Credit Amounts for the Homeowner’s Credit and Renter’s Credit” for information on income eligibility and credit amounts for the homeowner’s and renters credits.

Ms. Rockwell said because the Utah Constitution limits the legislature’s property tax relief options, there have been proposals to amend the Utah Constitution including proposals to authorize property tax relief for the elderly. She highlighted the proposals from handout “Examples of Proposed Constitutional Resolutions Authorizing Property Tax Relief for the Elderly.” She noted that none of these proposed constitutional resolutions have been approved by the legislature.

Sen. Hillyard asked if these exemptions result in a loss of tax base for counties or whether the exemptions are derived from the General Fund. Ms. Rockwell noted that only the circuit breaker is funded from the general fund. Sen. Hillyard pointed out that the legislature should not mandate that a county provide tax relief without providing a mechanism for holding county revenues harmless.

Ms. Pam Hendrickson, Tax Commission Chair, presented an overview of the property tax appeals process. She reviewed handouts “Board of Equalization Process Prior to S.B. 76,” “Board of Equalization Process after S.B. 76,” “Board of Equalization Appeals at Tax Commission,” and “Property Valuation Appeal Process.”

Ms. Rockwell reviewed the handout “Examples of Property Tax Legislation Passed during the 1998-2001 General Sessions,” and explained that the handout highlights property tax legislation that passed during the last four years. She indicated that the handout is not a comprehensive summary of all property tax legislation. Ms. Rockwell discussed the legislation and highlighted potential issues for committee study. Ms. Rockwell handed out a Utah Supreme Court Case and a *Utah Business* article pertaining to some potential issues for committee study.

4. Other Business

Chair Bramble reviewed a letter sent by the chairs to the Legislative Management Committee outlining the Revenue and Taxation Interim Committee’s study items for the 2001 interim including the property tax and the individual income tax. He explained that during the first two interim meetings the committee will study property taxes. Chair Bramble asked the committee for any other items that the committee should consider this interim. Committee members recommended studying telecommunications taxation, taxation of government enterprises

which compete with the private sector, whether to provide a state earned income tax credit, and the severance tax.

Sen. Hillyard asked the chairs to request approval from the Legislative Management Committee for committee members to attend meetings of the Tax Review Commission.

Chair Bramble noted that the next interim meeting will be on the fourth Wednesday, May 23, 2001.

MOTION: Rep. Shurtliff moved to adjourn the meeting at 4:22 p.m. The motion passed unanimously.